

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 PA-01 PRS-01 AGRE-00 FEA-01 OES-07 ERDA-05
/096 W

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R 181505Z JUL 77
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 5203
INFO USDOC WASHDC
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
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USDOC FOR BEWT USDA FOR FAS

E.O. 11652: N/A
TAGS: ECON, GE
SUBJ: GDR ECONOMIC PERFORMANCE ANNOUNCED FOR FIRST HALF 1977

REF: (A) 76 BERLIN 7300 (NOTAL) (B)BERLIN 5162 (NOTAL)

SUMMARY: NEUES DEUTSCHLAND (ND) JULY 15 PUBLISHED THE
CENTRAL STATISTICAL ADMINISTRATINS'S REPORT ON GDR
ECONOMIC PERFORMANCE IN THE FIRST HALF OF 1977. THE
REPORT SHOWS THAT WHILE THE ECONOMY GREW FASTER, AT A
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RATE OF 4.5 PERCENT, THAN DURING 1976 (3.7 PERCENT), THE
RATE OF GROWTH STILL LAGGED A FULL PERCENTAGE POINT
BEHIND THE 1977 TARGET. END SUMMARY.

1. DESPITE HEALTHY INCREASES, INDUSTRIAL OUTPUT,
AS WELL AS INDUSTRIAL LABOR AND CAPITAL EFFICIENCY,
FELL SHORT OF PLANNED TARGETS, THOUGH BY ONLY FRACTIONS

OF A PERCENTAGE POINT. FOREIGN TRADE, PARTICULARLY WITH CEMA COUNTRIES, INCREASED AT A RATE SIGNIFICANTLY HIGHER THAN PLANNED. INVESTMENT, DOMESTIC CONSUMPTION, AND PERSONAL INCOME ALSO REPORTED GROWTH AT GREATER THAN PLANNED RATES.

2. OVERALL, THE RESULTS PRESENT AN ANOMALY. THE GDR IS BOTH CONSUMING MORE AND INVESTING MORE THAN IT, IN A PRESUMABLY BALANCED ECONOMIC PROGRAM, HAD PLANNED, WHILE PRODUCING LESS AND IMPORTING MORE. IT IS DIFFICULT TO IMAGINE THAT THIS PATTERN CAN PERSIST INDEFINITELY.

3. HIGHLIGHTS OF GDR ECONOMIC PERFORMANCE ARE BROKEN DOWN BY SECTOR AS FOLLOWS:

4. INDUSTRY: INDUSTRIAL PRODUCTION WAS REPORTED TO BE 4.8 PERCENT HIGHER THAN DURING THE SAME PERIOD IN 1976. THE PLANNED RATE OF GROWTH FOR 1977 OF THE INDUSTRIAL SECTOR IS 5.1 PERCENT. ENTERPRISES UNDER THE INDUSTRIAL MINISTRIES WERE REPORTED TO HAVE INCREASED PRODUCTION 5.5 PERCENT OVER LAST YEAR, OR .3 PERCENT ABOVE PLAN. INDUSTRIAL LABOR AND CAPITAL EFFICIENCY WAS REPORTED UP BY 5.0 PERCENT, COMPARED WITH A 1977 TARGET OF 5.1 PERCENT.

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5. AGRICULTURE: THE HALF-YEAR PLAN WAS REPORTED OVERFULFILLED IN THE PRODUCTION OF SLAUGHTERED ANIMALS (102.7 PERCENT), MILK (101.2 PERCENT), AND EGGS (102.7 PERCENT). DESPITE THE INCREASED PRODUCTION OF SLAUGHTERED ANIMALS, THE INVENTORY OF BEEF CATTLE, DAIRY CATTLE, SWINE (AND SOWS REPORTED SEPARATELY), SHEEP, AND HENS WERE ALL REPORTED UP. ND REPORTED THAT GREAT EFFORTS WERE MADE TO KEEP THE LIVESTOCK NUMBERS STEADY.

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6. TRADE: TRADE TURNOVER INCREASED BY 13 PERCENT;
WELL AHEAD OF THE PLANNED RATE OF GROWTH OF 8.7
PERCENT. TRADE WITH THE SOVIET UNION AND OTHER CEMA
COUNTRIES INCREASED BY 15 PERCENT WHILE TRADE WITH
"NON-SOCIALIST" COUNTRIES INCREASED BY ONLY 7 PERCENT.
ND NOTED CONTRIBUTION OF THE STABLE SUPPLY OF RAW
MATERIALS AND ENERGY SUPPLIES FROM THE SOVIET
UNION AND OTHER CEMA MEMBERS HAS MADE TO THE EAST
GERMAN ECONOMY. THE RAPID GROWTH IN TRADE IS PRESUMABLY
DUE TO THESE IMPORTS.

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7. CONSUMER SCENE: THE STATISTICS RELEASED IN
ND SHOW IMPROVING CONDITIONS FOR THE CONSUMER.
PERSONAL INCOME INCREASED AT A RATE OF 5.6 PERCENT,
WELL ABOVE PLANNED GROWTH OF 4.0 PERCENT. ANOTHER
INDEX OF CONSUMER WELLBEING, THE LEVEL OF RETAIL TRADE,
SHOWED GROWTH AT A RATE OF 5.5 PERCENT, COMPARED TO
THE PLANNED RATE OF 4.0 PERCENT. RETAIL TRADE IN
INDUSTRIAL PRODUCTS WAS 7.3 PERCENT HIGHER THAN IN
1976, WHILE TRADE IN LUXURY ARTICLES INCREASED
3.9 PERCENT. DURING THE FIRST HALF OF 1977, 75,000
APARTMENTS WERE REPORTED TO HAVE BEEN CONSTRUCTED
OR MODERNIZED TO PROVIDE HOUSING FOR 226,000 PERSONS.

8. INVESTMENT: INVESTMENT ROSE 8 PERCENT ABOVE 1976 LEVELS, COMPARED TO THE PLANNED RATE OF 6.5 PERCENT. INVESTMENT IN HHE INDUSTRIAL SECTOR OF THE ECONOMY, HOWEVER, WAS 12 PERCENT ABOVE THE 1976 RATE. HALF OF INDUSTRIAL INVESTMENT WENT TO THE MODERNIZATION OF EXISTING PLANT AND EQUIPMENT. POLANSKY

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC TRENDS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BERLIN06480
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770256-0132
Format: TEL
From: BERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770749/aaaabptl.tel
Line Count: 177
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bbec356a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BERLIN 7300, 77 BERLIN 5162
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1834638
Secure: OPEN
Status: NATIVE
Subject: GDR ECONOMIC PERFORMANCE ANNOUNCED FOR FIRST HALF 1977
TAGS: ECON, GC
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/bbec356a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009